

LOUISIANA ENERGY AND POWER AUTHORITY
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEARS ENDED DECEMBER 31, 2009 AND 2008

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

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LOUISIANA ENERGY AND POWER AUTHORITY

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INDEPENDENT AUDITORS' REPORT

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To the Board of Directors
Louisiana Energy and Power Authority
Lafayette, Louisiana

We have audited the accompanying basic financial statements of the Louisiana Energy and Power Authority, as of and for the year ended December 31, 2009 and 2008, as listed in the table of contents. These financial statements are the responsibility of the Louisiana Energy and Power Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, issued by the Comptroller General of the United States and the provisions of Louisiana Revised Statutes 24:513 and the Louisiana Governmental Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred above present fairly, in all material respects, the financial position of Louisiana Energy and Power Authority, as of December 31, 2009 and 2008, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2010, on our consideration of the Louisiana Energy and Power Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis on pages 4 through 14 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Louisiana Energy and Power Authority. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

*Wright, Moore, DeHart,
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WRIGHT, MOORE, DEHART,
DUPUIS & HUTCHINSON, L.L.C.
Certified Public Accountants

March 31, 2010

LOUISIANA ENERGY AND POWER AUTHORITY

Management's Discussion and Analysis

December 31, 2009

The following Management's Discussion and Analysis is intended to serve as an introduction to the December 31, 2009 and 2008 financial statements of the Louisiana Energy and Power Authority (LEPA), a political subdivision of the State of Louisiana. The discussion should be read in conjunction with the Audited Financial Statements and Notes to Financial Statements, which follow.

LEPA's operations consist of two major programs - the 20% ownership of the Rodemacher Unit No. 2 (Project) and the wholesale power sales to member participants (Non-Project). Further information on these programs can be found in the Notes to the Financial Statements.

Basic Financial Statements

The basic financial statements are prepared to provide the reader with a comprehensive overview of LEPA's statement of position and operations. For accounting purposes, LEPA is a political subdivision of the State of Louisiana that is engaged in a business-type activity, principally as a supplier of wholesale electricity to the member participants. As such, LEPA's financial statements are presented as an enterprise type fund, that is, similar to the financial statements of a private sector for-profit entity involved in the same type of business.

The statements of net assets present information on all of LEPA's assets and liabilities. Utility plant includes those assets which are currently in service as well as construction in progress. Restricted assets include cash, cash equivalents, and investments legally restricted by debt covenants. Current assets, other assets and liabilities are reported based on their liquidity.

The statements of revenues, expenses and net assets present both current and prior year revenues and expenses. Operating results are reported separately from non-operating activities.

The statement of cash flows is presented using the direct method. This method outlines the sources and uses of cash as it relates to operating income. Included in the cash flows are classifications for capital related financing activities and investing activities.

Financial Highlights

The increase in net assets at December 31, 2009, as compared to December 31, 2008, results from the net increase for the period of \$1,448,535. This increase is further allocated between project and non-project as net increase for the project of \$340,098 and net increase for non-project of \$1,108,437.

LEPA is, by design, a zero profit entity. All costs for the Project are passed through to the participants. All Non-Project energy costs are passed through in full to the full requirements members. The demand rate is set each year at a level sufficient, at projected demand volumes, to cover all budgeted Non-Project costs, excluding energy related costs. Any income or loss results from expenditures for capitalized assets and variances between budgeted and actual revenues and expenses.

The change in net assets for the Project was an increase of \$340,098. The following items accounted for this increase:

- Expenditures for capitalized assets at the Rodemacher facility. Project participants are billed for budgeted amounts to cover capital expenditures. The amounts billed are included in revenue with the offsetting expenditures being capitalized rather than expensed. The result is an increase in net assets equal to the amount expended for capital items.

The change in the net assets for Non-Project activities was an increase of \$1,108,437. The following items accounted for this difference:

- The demand charges revenue was higher than budgeted due to higher volumes.
- Contract costs were included in the 2009 budget for a new energy contract. Since no new contract was entered into in 2009, these costs were not realized.
- Payroll and employee pension and benefits were less than anticipated. Increases in medical insurance and employee pension costs were lower than anticipated.
- Outside services were lower than budgeted. This resulted primarily from reduced engineering fees incurred for ongoing review of future power supplies as well as lower than anticipated legal fees.

While the financial statements reflect an increase in net assets for 2009, LEPA actually incurred a non-project budget deficit for the year of \$386,314. The deficit was a result of the expenditures for the capacitor bank project in Morgan City which were capitalized for financial statement purposes. When the project was initiated in 2007, it was decided that the project would be funded from budget surpluses generated in prior years. The reduction in budgeted costs as described above helped to offset the impact of the disbursements for this project on the 2009 budget.

The reconciliation of the change in net assets to the budget surplus (deficit) is as follows:

	Project	Non-Project	Total
Increase in net assets	\$ 340,098	\$ 1,108,437	\$ 1,448,535
Depreciation	5,283,723	37,214	5,320,937
Amortization	2,376,277	-	2,376,277
Debt service	(7,660,000)	-	(7,660,000)
Capital expenditures	(340,098)	(24,158)	(364,256)
Capacitor bank project	-	(1,507,807)	(1,507,807)
Budget surplus (deficit)	\$ -	\$ (386,314)	\$ (386,314)

Financial Analysis

Financial Position

Total assets, liabilities and net assets at December 31, 2009 and 2008 are as follows (stated in thousands):

	2009	2008
Current assets	\$ 16,391	\$ 18,647
Restricted assets	17,978	17,657
Deferred charges	1,003	1,337
Property, plant and equipment	22,988	26,437
Total assets	<u>\$ 58,360</u>	<u>\$ 64,078</u>
Current liabilities	\$ 10,990	\$ 12,707
Current liabilities payable from restricted resources	8,608	8,426
Non-current liabilities	20,253	25,884
Total liabilities	<u>39,851</u>	<u>47,017</u>
Net assets:		
Invested in capital assets net of related debt	(4,152)	(5,804)
Restricted assets for debt service	13,217	13,031
Unrestricted net assets	9,444	9,834
Total net assets	<u>18,509</u>	<u>17,061</u>
Total liabilities and net assets	<u>\$ 58,360</u>	<u>\$ 64,078</u>

The components of current assets for 2009 and 2008 are as follows (stated in thousands):

	2009	2008
Cash	\$ 5,731	\$ 2,082
Accounts receivable	4,215	10,024
Fuel inventory	6,283	6,322
Accrued interest receivable	22	81
Prepaid assets	140	138
Current assets	<u>\$ 16,391</u>	<u>\$ 18,647</u>

The cash balances increased in 2009 with the corresponding decrease in accounts receivable. Accounts receivable decreased from prior year due to the timing of payments for energy sales to full requirement members.

The coal inventory at Rodemacher decreased from 140,222 tons valued at \$6,310,160 at December 31, 2008 to 139,225 tons valued at \$6,264,964 at December 31, 2009. Actual tons burned for the year totaled 452,542, slightly lower than projected burns of 485,122 tons. Current coal inventory simulations, as provided by Cleco, indicate that the coal inventory levels should be reduced to 95,000 tons by December 31, 2010.

The restricted assets were composed of the following (stated in thousands):

	2009	2008
Renewal and replacement fund	\$ 3,619	\$ 3,484
Debt service fund	8,608	8,426
Debt service reserve fund	4,609	4,605
Contingency fund	1,142	1,142
Restricted assets	<u>\$ 17,978</u>	<u>\$ 17,657</u>

The increase in the renewal and replacement fund is a timing difference. The assessment to the participants for capital projects is set each year with the adoption of the Rodemacher budgets. The amount assessed is based upon the capital budget, as provided by Cleco. The amounts billed to the participants are transferred to the renewal and replacement fund as collected. Disbursements from the fund are made on a quarterly basis, as Cleco bills LEPA for the capital costs at the Rodemacher facility. The balance of the renewal and replacement fund increases or decreases based upon the difference between the amount collected and the amount disbursed.

The total debt service payment for the Rodemacher bonds did not increase from 2008 to 2009, however, the allocation between interest and principal did. The balance of the debt service fund increased at December 31, 2009 as a result of the increased amount of principal portion to be paid on January 1, 2010.

The decrease in deferred charges results from the annual charge for amortization of debt expense. The debt expense is being amortized over the remaining life of the electric revenue bonds. The cost will be fully amortized on January 1, 2013.

The components of property and equipment are as follows (stated in thousands):

	2009	2008
Electric Plant	\$ 84,854	\$ 84,676
Central dispatch facility	2,854	2,854
Non-utility property	1,417	1,393
Land	100	100
Construction work in progress:		
Project (Rodemacher)	4,052	4,177
Non-project	2,890	1,383
Accumulated depreciation	<u>(73,179)</u>	<u>(68,146)</u>
Property and equipment	<u>\$ 22,988</u>	<u>\$ 26,437</u>

Construction projects at the Rodemacher facility are transferred to the electric plant account when Cleco informs LEPA that a project work order is completed and has been closed. Similarly, retirement of an asset occurs when Cleco informs LEPA that an asset is being taken out of service. During 2009, capital projects totaling \$340,098 were closed and transferred to electric plant. In addition, during 2009, Cleco informed LEPA that assets costing \$288,295 (LEPA's cost) were being retired from service.

Construction work in progress – project represents costs incurred for the capital projects at the Rodemacher facility. The total of capital costs billed to LEPA during 2009 was \$650,212. Additionally, LEPA received credit for \$310,114 for the sale of scrap copper from the project to retube the main condenser, resulting in net expenditures of \$340,098.

The following schedule provides a breakdown of the costs incurred for the major projects during 2009 as well as a breakdown of the projects remaining in construction in progress:

	2009	Total In Progress
Replace lo-nox burners	\$ 117,898	\$ 1,791,441
Retube main condenser	(306,758)	362,891
Generator rewind	1,558	1,129,583
Replace 2-6 feedwater heater	13,044	245,166
Reserve auxillary transformer	254,120	254,120
Other projects	260,236	268,288
Total	<u>\$ 340,098</u>	<u>\$ 4,051,489</u>

Cleco has provided LEPA with an estimated capital budget for the 5 year period from 2010 to 2014. This budget is presented in the table below. As detailed, major capital expenditures will be incurred in 2012 and 2013 for two major projects, the dense pack installation and the LP blade installation. It should be noted that the amounts reflected in this budget are based upon the best estimate of costs available to Cleco at the time of the budget preparation and are subject to revision as the project dates draw closer.

Estimated capital budgets for 2010 thru 2014 (stated in thousands):

	2010	2011	2012	2013	2014
Projects under \$250,000	\$ 387	\$ 131	\$ 114	\$ 42	\$ 15
Main office building upgrade	21	-	-	-	-
Install dense pack	-	300	1,700	1,400	-
Install LP blades	-	-	600	600	-
Estimated new small projects not yet identified	-	180	200	260	280
Estimated new projects not yet identified	-	200	600	600	600
Total	<u>\$ 408</u>	<u>\$ 811</u>	<u>\$ 3,214</u>	<u>\$ 2,902</u>	<u>\$ 895</u>

Construction in progress – non-project represents the cost incurred for the installation of the new capacitor bank located in Morgan City. A total cost of \$1,507,807 was incurred in 2009 and a total of \$2,890,313 has been incurred to date. The capacitor bank should be placed into service in mid 2010.

Current liabilities consisted of the following (stated in thousands):

	2009	2008
Accounts payable:		
Project	\$ 1,166	\$ 1,377
Non-project	2,974	5,342
Due to participants:		
Coal pile responsibility	3,915	3,950
Renewal and replacement assessments	2,935	2,038
Current liabilities	<u>\$ 10,990</u>	<u>\$ 12,707</u>

The reduction in accounts payable had several contributing factors. The balance of accounts payable at December 31, 2008 included significant amounts for major repair projects undertaken in 2008 at the Morgan City and Plaquemine facilities as well as the ongoing capacitor bank project in Morgan City. Additionally, the balance of accounts payable at December 31, 2008 included a higher level of payables for the purchase of outside energy as a result of the major outage at the Rodemacher facility in the fall of 2008.

The coal pile responsibility liability represents amounts collected from Project participants to fund the cost of maintaining the coal inventory. LEPA has the responsibility to maintain the base inventory (25,556 tons totaling \$1,204,571) which represents the inventory purchased when LEPA acquired the Rodemacher facility. The Project participants are responsible for funding all inventory levels above the base level. The funds are collected from or refunded to the participants as inventory levels fluctuate each month. The coal inventory levels at Rodemacher decreased slightly from 140,222 tons at December 31, 2008 to 139,225 tons at December 31, 2009. The inventory level is expected to be reduced to approximately 95,000 tons by the end of 2010 which will reduce the liability to the participants as funds are returned to the participants.

The balance for renewal and replacement assessments represents the assessments included in the monthly billings to the Project participants for the capital expenditures at the Rodemacher facility. The assessment is calculated each year in preparing the Rodemacher budget based upon the projected capital expenditures for the year, as provided by Cleco. The estimated capital budget for the Rodemacher facility for the period from 2010 to 2014, as previously discussed, reflects significant expenditures in the years 2012 and 2013. In order to levelize the annual assessment for renewal and replacements, the estimated capital expenditures for the period from 2009 to 2013 were averaged in preparing the 2009 Rodemacher budget and the amount billed was based upon that average calculated for the five year period. Since the amounts collected exceeded the amounts expended, the liability to the participants increased. Additionally, the refund for the sale of scrap copper from the 2008 project to retube the main condenser, totaling \$340,114, reduced the required disbursements to Cleco for 2009.

Non-current liabilities consisted of the following (stated in thousands):

	2009	2008
Electric revenue bonds payable	\$ 25,660	\$ 33,320
Unamortized bond premium	713	951
Unamortized loss on refunding	(6,839)	(9,119)
Accrued compensated absences	719	732
Non-current liabilities	<u>\$ 20,253</u>	<u>\$ 25,884</u>

The reduction in the electric revenue bonds results from the reclassification of the current portion of the bond liability. This amount was \$7,660,000 in 2009. Payments of interest are made on July 1 of each year and payments of interest and principal are made on January 1 of each year. The final payment on the bonds will be made on January 1, 2013. The changes in both the unamortized bond premium and unamortized loss on refunding are due to the annual charge for amortization for each. Both accounts are being amortized over the remaining life of the electric revenue bonds and will be fully amortized on January 1, 2013.

There were no new borrowings during 2009.

Operations

Components of LEPA's operating revenues, operating expenses, and non-operating and investment income (loss) for the years ended December 31, 2009 and 2008 follows (stated in thousands):

	2009	2008
Operating revenues	\$ 77,238	\$ 99,613
Operating expenses:		
Cost of power produced	33,058	31,476
Power purchased	27,333	50,284
Transmission costs	3,533	3,501
General and administrative	2,370	2,750
Depreciation	5,321	4,919
Operating expenses	71,615	92,930
Operating income	5,623	6,683
Investment and other income	99	474
Debt expenses	(1,659)	(2,024)
Amortization	(2,614)	(2,614)
Change in net assets	\$ 1,449	\$ 2,519

The operating income for 2009 and 2008 shown in the schedule above is comprised of the following components (stated in thousands):

	2009	2008
Rodemacher power sales	\$ 32,773	\$ 30,152
Full requirements power sales	35,461	53,001
Load control power sales	8,482	15,814
Hydro power sales	404	390
Other power sales	93	231
Other operating income	25	25
Operating revenues	\$ 77,238	\$ 99,613

The volumes of energy delivered during the years of 2009 and 2008 were:

	2009 MWH	2008 MWH
Project participants	569,940	474,586
Full requirements members	614,022	604,858
Terrebonne Parish load control	199,664	194,372
Hydro power	14,238	14,689
Other power sales	2,111	3,247
Energy delivered	<u>1,399,975</u>	<u>1,291,752</u>

The Rodemacher power sales represent the energy delivered from the Rodemacher power station to the three Project participants that are not full requirement members under the Rodemacher Power Sales Contracts. The remaining two Project participants have assigned their Rodemacher entitlements to the full requirements pool under the current Agreement for the Purchase of Rodemacher Unit No. 2 Project Capability. The increase in the volume of energy delivered to the project participants resulted from the increased availability of the Rodemacher unit in 2009. The breakdown of the components of the Rodemacher revenue follow (stated in thousands):

	2009		2008	
	Revenue	Cost per MWH	Revenue	Cost per MWH
Energy related costs	\$ 19,621	\$ 34.43	\$ 15,266	\$ 32.17
Power related costs	5,526	9.70	5,434	11.45
Debt service costs	7,393	12.97	7,393	15.58
Renewal and replacement costs	264	0.46	2,312	4.87
Interest earnings	(31)	(0.05)	(253)	(0.53)
Rodemacher power sales	<u>\$ 32,773</u>	<u>\$ 57.51</u>	<u>\$ 30,152</u>	<u>\$ 63.54</u>

The amounts billed to the Project participants for energy delivered from the Rodemacher facility are a direct pass through of costs incurred. Deliveries of energy from the Rodemacher facility returned to normal levels in 2009 following the extended outage in the fourth quarter of 2008. The total cost decreased from \$63.54 per MWH to \$57.51 per MWH, as detailed in the schedule above. The increase/decrease in the energy costs is discussed later. The decrease in the cost per MWH for the power related and debt service costs is a function of the increase in the generation volumes, as the costs are spread over a larger volume. Interest earnings were down as a result of lower interest rates on cash balances as well as lower average cash balances.

The full requirement revenues represent energy delivered to the seven full requirement members under the Full Requirements Service Agreements currently in place. The components of the full requirement revenue are as follows (stated in thousands):

	2009		2008	
	Revenue	Cost per MWH	Revenue	Cost per MWH
Energy charges	\$ 25,154	\$ 40.97	\$ 43,159	\$ 71.35
Demand charges	10,307	16.79	9,842	16.27
Full requirement power sales	<u>\$ 35,461</u>	<u>\$ 57.76</u>	<u>\$ 53,001</u>	<u>\$ 87.62</u>

The increase in the full requirements revenue was caused by changes in the following factors (stated in thousands):

Energy price	\$ (18,664)
Energy volume	657
Demand price	345
Demand volume	122
Net Increase	<u>\$ (17,540)</u>

The energy charge is a direct pass through of energy costs. The energy cost factor (ECF), which is the measurement of the cost of energy delivered to the full requirement members, is calculated on a monthly basis based upon the actual energy costs incurred for LEPA generation and purchases. The average ECF for the year decreased from \$71.35 per MWH in 2008 to \$40.97 per MWH in 2009. The primary factor in this decrease was the decline in the cost of natural gas which in turn caused the cost of both LEPA generation and outside purchases to decrease. The volume of energy delivered remained fairly stable, increasing by only 9,164 MWH, or 1.5%.

The demand rate is set at a level sufficient, at projected demand levels, to cover all budgeted non-project costs, excluding energy costs. The rate is set annually with the adoption of the full requirements budget. The demand rate for 2009 was set at \$7.33 per KW, as compared to an average rate for 2008 of \$7.08 per KW. The demand volume also remained stable, increasing by 17,276 KW, or 1.2%.

The load control power sales represent delivery of energy to the Terrebonne Parish Consolidated Government under the current load control services agreement. The decrease in revenues results from a decrease in the average price per MWH. The average price per MWH for energy delivered to Terrebonne Parish under this agreement decreased from \$81.36 per MWH in 2008 to \$42.48 per MWH in 2009. Again, the primary reason for the decline in the price per MWH is the decline in natural gas costs. The volume of energy delivered increased by 3%, from 194,372 MWH in 2008 to 199,664 MWH in 2009.

Energy for 2009 and 2008 was received from the following sources:

	2009 MWH	2008 MWH
Generation:		
Rodemacher power station	707,987	622,008
Other LEPA operated plants	36,742	26,866
Purchases:		
The Energy Authority	529,019	515,081
Sidney A. Murray Jr. Hydroelectric Project	74,065	63,716
Southwestern Power Administration	42,485	43,893
Cleco Power LLC	7,605	31,614
Terrebonne Parish Consolidated Government	13,673	11,425
Other sources	490	926
Energy received	<u>1,412,066</u>	<u>1,315,529</u>

Rodemacher generation increased by 85,979 MWH from 2008 to 2009, or 13.8%. This increased generation is a result of the increase in the availability of the Rodemacher unit in 2009. The equivalent availability factor of the unit increased from 71.39% in 2008 to 87.78% in 2009. As previously indicated, the Rodemacher unit underwent an extended outage (65 days) in the fall of 2008. Of the total Rodemacher generation of 707,987 MWH, 569,940

MWH were delivered to the three project participants and the remaining 138,047 MWH were delivered to the full requirements pool.

Transmission constraints during 2009 caused LEPA to be unable to utilize all of the Rodemacher generation available to the full requirements pool. As a result, additional generation was required from the Morgan City facility during 2009. Additionally, LEPA was unable to receive energy for regulation purposes from Cleco under the existing control area service agreement in the latter part of 2009. This reduction was offset by additional energy available under the existing hydropower contracts with the City of Vidalia, for energy from the Sidney A. Murray Jr. Hydroelectric Project, and purchases from The Energy Authority.

The breakdown of the components of the cost of power produced is as follows (stated in thousands):

	2009	2008
Rodemacher power station:		
Variable costs	\$ 24,391	\$ 20,008
Fixed costs	3,655	3,560
Other LEPA operated plants:		
Variable costs	2,469	4,982
Fixed costs	2,543	2,926
Cost of power produced	<u>\$ 33,058</u>	<u>\$ 31,476</u>

The Rodemacher variable costs consist of the cost of coal consumed, cost of natural gas and reagents consumed and the Cleco management fee, as per Section 38 of the Joint Ownership Agreement. The cost of coal includes the purchase price of the coal as well as the transportation and handling costs. The energy costs increased from \$32.17 per MWH in 2008 to \$34.43 per MWH in 2009. The increase was driven primarily by the increase in the contracted price of coal, from \$12.85 per ton in 2008 to \$17.75 per ton in 2009. The average delivered price of coal increased from \$46.62 per ton in 2008 to \$40.03 per ton in 2009. Also contributing to the increase in variable costs was the increase in generation.

The variable costs for the other LEPA operated plants, which consists primarily of fuel, decreased as a result of the decrease in the cost of natural gas used to fuel the plants. The average cost of fuel decreased from \$185.43 per MWH in 2008 to \$67.19 per MWH in 2009. Thus, even though generation was up from the prior year levels, the overall cost of fuel decreased. The fixed costs decreased as a result of the completion of several major maintenance projects undertaken in 2008.

The breakdown of the components of the power purchased is as follows (stated in thousands):

	2009	2008
Energy costs	\$ 26,661	\$ 49,651
Demand costs	672	633
Cost of power produced	<u>\$ 27,333</u>	<u>\$ 50,284</u>

The volume of energy purchased during 2009 did not change from the volumes in 2008, increasing by only 682 MWH. The average price per MWH for energy purchased decreased from \$74.48 per MWH in 2008 to \$39.95 per MWH in 2009 accounting for the decrease in the cost of energy purchased. Once again, the primary factor in the decrease in cost was the decrease in the cost of natural gas.

The decrease in investment and other income is due to a decrease in the amount of interest earned on invested funds. LEPA cash management policy, as well as state law, restricts the how funds can be invested. The interest rate on approved investments is practically nil. The decrease in debt expense is the result of the annual paydown of long-term debt.

This financial report is designed to provide interested parties with a general overview of LEPA's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to Louisiana Energy and Power Authority, 210 Venture Way, Lafayette, Louisiana 70507-5319.

LOUISIANA ENERGY AND POWER AUTHORITY

**STATEMENTS OF NET ASSETS
DECEMBER 31, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 5,730,580	\$ 2,082,049
Accounts Receivable	4,214,710	10,024,126
Fuel Inventory	6,282,581	6,321,539
Accrued Interest Receivable	22,432	81,587
Prepaid Expenses	<u>140,478</u>	<u>137,972</u>
Total Current Assets	<u>16,390,781</u>	<u>18,647,273</u>
NON-CURRENT ASSETS		
RESTRICTED ASSETS		
Cash		
Renewal and Replacement	719,639	3,484,057
Contingency	1,142,000	1,142,000
Debt Service	8,608,375	8,425,750
Debt Service Reserve	106,061	105,000
Investments		
Debt Service Reserve	<u>4,502,911</u>	<u>4,500,000</u>
Total Restricted Assets	<u>17,977,916</u>	<u>17,656,807</u>
DEFERRED CHARGES		
Unamortized Debt Expense	<u>1,002,947</u>	<u>1,337,263</u>
Total Deferred Charges	<u>1,002,947</u>	<u>1,337,263</u>
PROPERTY, PLANT AND EQUIPMENT		
Utility Plant	88,905,266	88,853,463
Central Dispatch Facility	5,844,074	4,336,267
Non-utility Property	<u>1,417,262</u>	<u>1,393,104</u>
Total	96,166,602	94,582,834
Less: Accumulated Depreciation	<u>(73,178,630)</u>	<u>(68,145,988)</u>
Net Property, Plant and Equipment	<u>22,987,972</u>	<u>26,436,846</u>
Total Non-Current Assets	<u>41,968,835</u>	<u>45,430,916</u>
TOTAL ASSETS	<u>\$ 58,359,616</u>	<u>\$ 64,078,189</u>

The Accompanying Notes are an Integral Part of These Statements.

LOUISIANA ENERGY AND POWER AUTHORITY

**STATEMENTS OF NET ASSETS
DECEMBER 31, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
LIABILITIES AND FUND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 4,140,423	\$ 6,719,566
Due to Other Governments	<u>6,849,661</u>	<u>5,987,309</u>
Total Current Liabilities	<u>10,990,084</u>	<u>12,706,875</u>
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Accrued Interest Payable	948,375	1,130,750
Current Portion of Revenue Bonds Payable	<u>7,660,000</u>	<u>7,295,000</u>
Total Current Liabilities Payable From Restricted Assets	<u>8,608,375</u>	<u>8,425,750</u>
NON-CURRENT LIABILITIES		
Revenue Bonds Payable	25,660,000	33,320,000
Less: Unamortized Premium	712,996	950,661
Less: Unamortized Loss on Reacquired Debt	(6,838,880)	(9,118,506)
Accrued Compensated Absences	<u>717,676</u>	<u>732,580</u>
Total Non-Current Liabilities	<u>20,251,792</u>	<u>25,884,735</u>
TOTAL LIABILITIES	<u>\$ 39,850,251</u>	<u>\$ 47,017,360</u>
FUND NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$ (4,151,572)	\$ (5,803,796)
Restricted for Debt Service	13,217,346	13,030,750
Unrestricted	<u>9,443,591</u>	<u>9,833,875</u>
TOTAL FUND NET ASSETS	<u>\$ 18,509,365</u>	<u>\$ 17,060,829</u>

The Accompanying Notes are an Integral Part of These Statements.

LOUISIANA ENERGY AND POWER AUTHORITY

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
OPERATING REVENUES		
Power Sales	\$ 77,237,393	\$ 99,612,775
OPERATING EXPENSES		
Cost of Power Produced	33,057,841	31,476,046
Power Purchased	27,332,919	50,284,183
Transmission Costs	3,533,099	3,501,312
General and Administrative	2,369,959	2,749,608
Depreciation	5,320,937	4,918,723
Total Operating Expenses	71,614,755	92,929,872
Operating Income	5,622,638	6,682,903
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	41,303	368,528
Interest Expense	(1,659,085)	(2,023,835)
Amortization of Debt Expense	(334,316)	(334,315)
Amortization of Loss on Reacquired Debt	(2,279,627)	(2,279,627)
Gain on Disposition of Allowance	4,025	27,712
Net Increase (Decrease) in Fair Value of Investments	-	2,812
Other	53,597	75,192
Total Non-Operating Revenues (Expenses)	(4,174,103)	(4,163,533)
CHANGE IN FUND NET ASSETS	1,448,535	2,519,370
FUND NET ASSETS, BEGINNING OF YEAR	17,060,829	14,541,459
FUND NET ASSETS, END OF YEAR	\$ 18,509,364	\$ 17,060,829

The Accompanying Notes are an Integral Part of These Statements.

LOUISIANA ENERGY AND POWER AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Received From Customers	\$ 96,930,287	\$ 96,930,287
Received from Meter Assessments	75,192	75,192
Payments for Power Produced	(34,012,381)	(34,012,381)
Payments for Power Purchased	(49,237,057)	(49,237,057)
Payments for Transmission Costs	(3,320,059)	(3,320,059)
Payments for General and Administrative expenses	<u>(2,842,638)</u>	<u>(2,842,638)</u>
Net Cash Provided By Operating Activities	<u>7,593,344</u>	<u>7,593,344</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Disposal of Fixed Assets	-	-
Principal Payments	(6,915,000)	(6,915,000)
Interest Paid	(2,451,664)	(2,451,664)
Purchase and Construction of Fixed Assets	<u>(2,236,234)</u>	<u>(2,236,234)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(11,602,898)</u>	<u>(11,602,898)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments-Net	-	-
Proceeds from Sale of Allowances	27,712	27,712
Interest Received	<u>413,710</u>	<u>413,710</u>
Net Cash Provided By (Used In) Investing Activities	<u>441,422</u>	<u>441,422</u>
NET INCREASE (DECREASE) IN CASH	(3,568,132)	(3,568,132)
Cash-Beginning of Year	<u>15,238,856</u>	<u>18,806,988</u>
Cash-End of Year	<u>\$ 11,670,724</u>	<u>\$ 15,238,856</u>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:		
Operating Income	\$ 5,622,638	\$ 6,682,903
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	4,918,723	4,918,723
Other Revenue	53,597	75,192
Changes in Assets and Liabilities:		
Accounts Receivable	(3,387,943)	(3,387,943)
Fuel Inventory	(3,284,097)	(3,284,097)
Prepaid Expenses	16,791	16,791
Accounts Payable	(539,858)	(539,858)
Due to Other Governments	3,132,604	3,132,604
Accrued Compensated Absences	<u>(20,971)</u>	<u>(20,971)</u>
Net Cash Provided By Operating Activities	<u>\$ 6,511,484</u>	<u>\$ 7,593,344</u>

The Accompanying Notes are an Integral Part of These Statements.

LOUISIANA ENERGY AND POWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009 AND 2008

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reporting Entity - The Louisiana Energy and Power Authority (the Authority) was created as a political subdivision of the State of Louisiana in 1979 pursuant to Title 33 of the Louisiana Revised Statutes of 1950. Eighteen Louisiana municipalities currently are members of the Authority and are joined together in order to provide a reliable and economic supply of electric power and energy to member municipalities.

The Authority owns a 20% undivided interest, under the Joint Ownership Agreement, of a 530 MW coal-fired steam electric generating plant, the Rodemacher Unit No. 2 (the Unit). The Unit was constructed by CLECO Utility Group, Inc. (CLECO) and Lafayette Public Power Authority (LPPA) near Boyce, Louisiana adjacent to CLECO's Rodemacher Unit No. 1. CLECO and LPPA have ownership interests of 30% and 50%, respectively. The Authority's 20% undivided ownership interest in the Unit and its rights and interests under the Joint Ownership Agreement are referred to as the Project. The Joint Ownership Agreement dated November 15, 1982 shall remain in effect so long as the Project is useful for the generation of electricity or for a period of 35 years, whichever is less.

Basis of Accounting - Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, the Authority has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), issued on or before November 30, 1989, except for those that conflict with or contradict GASB pronouncements. The accounts of the Authority are maintained substantially in accordance with the Uniform System of Accounts of the Federal Energy Regulatory Commission (FERC) and are in conformity with generally accepted accounting principles (GAAP). Such accounting and reporting policies also conform to the requirements of Louisiana Revised Statute 24:517 and to the guidelines set forth in the Louisiana Governmental Audit Guide. In certain instances, FERC regulations differed from generally accepted accounting principles. In those situations, the Authority followed the FERC guidance, as directed by law. However, amounts reported, according to FERC regulations, did not differ materially from GAAP.

The Authority maintains its books and records on the full accrual basis of accounting and on the flow of economic resources measurement focus. The Authority applies all applicable FASB pronouncements in accounting and reporting for its proprietary operations.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Equity Classifications - In the financial statements, equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

Restricted - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

LOUISIANA ENERGY AND POWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Funds, Special Deposits and Investments -Funds and special deposits consist of cash, overnight repurchase agreements, and obligations guaranteed by federal agencies. Pursuant to GASB Statement No. 31, *Accounting for Financial Reporting for Certain Investments and for External Investment Pools*, the Authority values its investments in debt securities at fair value. Fair value is the amount for which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Governmental entities should report debt securities at fair value on the balance sheet. This statement also provides for the valuation of and the Authority carries money market investment such as short-term, highly liquid debt instruments, including U.S. Treasury and agency obligations at amortized cost.

Accounts Receivable -Significant receivables consist of amounts due from other governments under various agreements for the supply of energy. The statements contain no provision for uncollectible accounts. The Authority's management is of the opinion that such allowance would be immaterial in relation to the financial statements taken as a whole.

Property and Equipment -Capital assets are stated at cost. Depreciation of utility plant and central dispatch facility are based upon the principal repayments of long-term debt (the sum of the bonds outstanding method), the proceeds of which were used to acquire the Rodemacher Unit No. 2. This method correlates with the rate setting policies prescribed by the Bond Resolution of the 1982 Series Power Project Revenue Bonds and the 1985, 1991, and 2000 Series Power Project Refunding Revenue Bonds in that debt service requirements, as opposed to depreciation or amortization, are considered a cost for the purpose of rate making. Depreciation of non-utility property is computed using the straight-line method over the estimated useful lives of the assets.

	<u>Years</u>
Vehicles	5
Buildings (non-utility)	10-35
Office Furniture and Equipment	1-10

Expenses incurred in making repairs and minor replacements and in maintaining the utility plant and central dispatch facility in efficient operating condition are charged to expense.

Investments - Investments are limited by R.S. 33:2955 and the Authority's investment policy. Under State law, the Authority may invest in United States bonds, treasury notes, or certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in the State of Louisiana. In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments meeting the criteria specified in the Statement are stated at fair value, which is either a quoted market price or the best estimate available. Investments which do not meet the requirements are stated at cost. These investments include overnight repurchase agreements. U.S. Treasury and agency obligations that have a remaining maturity at time of purchase of one year or less are shown at amortized cost.

Inventory - Fuel Inventory is stated at the lower of cost or market as determined by the last-in, first-out method. Coal inventory amounted to \$6,264,964 representing 139,225 tons at December 31, 2009 and \$6,310,160 representing 140,222 tons at December 31, 2008.

The diesel inventory is stated at the lower of cost or market as determined by the last-in, first-out method and amounted to \$17,617 and \$11,379 at December 31, 2009 and 2008, respectively.

LOUISIANA ENERGY AND POWER AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Unamortized Debt Expense - Debt expense incurred at bond issuance is capitalized and amortized over the life of the new bonds issued.

Unamortized Loss on Reacquired Debt - Losses incurred upon refunding of debt are treated as deferred charges and amortized over the life of the new bonds issued.

Electric Revenue Bonds - Bonds outstanding are stated at face value. The unamortized premium and unamortized loss on reacquired debt are reported separately on the face of the financial statements. The premium is being amortized over the life of the bonds issued.

Rate Setting - The Authority has entered into Rodemacher Power Sales Contracts with five of its member cities. These five members are referred to as Participants. The Authority bills each Participant monthly for its share of the electric power generated by the Rodemacher Unit No. 2 (the Project) (see notes D and G) and for certain items stipulated in the Bond Resolution which governs the bonds issued in 1982 to purchase the Authority's 20% interest in the Unit. To the extent billings related to the Project vary from actual expenses incurred by the Authority, the amounts billed to the Participants are adjusted.

The Authority has entered into Full Requirements Power Sales Contracts (the Full Requirements Approach) with two participants and five other members (the Full Requirements Members) expiring on December 31, 2010, with a ten month opt-out provision. The Authority bills the Participants in the manner described above; however, the Authority buys the power back at actual cost to be distributed under the Full Requirements Approach. Rate setting for the Full Requirements Members is budgeted in advance and ratified by the Board of Directors. Rates are comprised of two basic components: (1) Energy Rate - which includes variable fuel costs and is billed on a KWH consumption basis and (2) Demand Rate - which includes all fixed costs and is billed on monthly peak KW basis.

Rates set by the Board of Directors are designed to recover all of the costs of the Authority and by contract are binding on its members. Therefore, the Authority meets the criteria and, accordingly, follows the reporting and accounting requirements of Statement of Financial Accounting Standards No. 71, *Accounting for the Effects of Certain Types of Regulation*. The depreciation method, as described in Note A, has been established by the Board of Directors and depreciation expense is a component of cost under the FAS 71.

Cash Flows - For purposes of the statements of cash flows, the Authority considers cash in banks and short-term investments with an original maturity of ninety days or less as cash and cash equivalents. These deposits are recorded at cost, which approximates fair value. Under state law, the Authority may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accumulated Compensated Absences - Allowable annual vacation and sick leave is prescribed by policy of the Authority, based on length of continuous employment by the Authority, accrued on an employment anniversary basis, and accrued to specified maximums.

LOUISIANA ENERGY AND POWER AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The Authority's recognition and measurement criteria for compensated absences follows:

GASB Statement No. 16 provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

1. The employees' rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employee for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

GASB Statement No. 16 provides that a liability for sick leave should be accrued using one of the following approaches:

1. An accrual for earned sick leave should be made only to the extent it is probable that the benefits will results in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals.
2. Alternatively, a governmental entity should estimate its accrued sick leave liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments.

Estimated accrued compensated absences resulting from unused vacation and compensatory time at the end of the fiscal year are recorded as long-term liabilities in the financial statements. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

(B) CASH, SPECIAL DEPOSITS AND INVESTMENTS

The bond resolution for the 2000 Series Bonds provides for the creation and maintenance of certain funds and accounts relative to the operations of the Project. Management of the Authority believes they are in compliance with the requirements of the bond resolution. The Authority also maintains other accounts for its Full Requirements Approach operations (see note G).

Cash and special deposits and investments include bank balances and investments that at the balance sheet date were entirely insured or collateralized with securities held by the Authority or by its agent in the Authority's name. Cash balances are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. The Authority has no custodial credit risk associated with these deposits.

Cash and cash equivalents included in the Cash Flow Statement as of December 31, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Cash -		
Restricted	\$ 10,576,075	\$ 13,156,807
Other	<u>5,730,580</u>	<u>2,082,049</u>
Cash and cash equivalents	<u>\$ 16,306,655</u>	<u>\$ 15,238,856</u>

LOUISIANA ENERGY AND POWER AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

(B) CASH, SPECIAL DEPOSITS AND INVESTMENTS - continued

Funds and accounts at December 31 are as follows:

	2009	2008
Project:		
Restricted - debt service fund, debt service accounts	\$ 8,608,375	\$ 8,425,750
Debt service fund, debt service reserve account	106,061	105,000
Reserve and contingency fund:		
Renewal and replacement account	719,639	3,484,057
Contingency account	<u>1,142,000</u>	<u>1,142,000</u>
Total project restricted cash	<u>10,576,075</u>	<u>13,156,807</u>
Current assets:		
Operations and maintenance trust	2,367,097	1,316
Revenue fund	50,420	740,284
General revenue fund, project account	<u>2,279,956</u>	<u>296,846</u>
Total project current assets	<u>4,697,473</u>	<u>1,038,446</u>
Total project funds and accounts	<u>15,273,548</u>	<u>14,195,253</u>
Other funds and accounts at December 31:		
Current assets:		
Other revenue fund	891,166	880,411
Contract operations account	<u>141,941</u>	<u>163,192</u>
Total other funds and accounts	<u>1,033,107</u>	<u>1,043,603</u>
Total project and other funds and accounts	<u>\$ 16,306,655</u>	<u>\$ 15,238,856</u>

The 2000 Series Bond resolution authorizes the Authority to invest in direct obligations of the United States Government.

The Authority follows the provisions of GASB Statement 31, *Accounting for Financial Reporting for Certain Investments and for External Investment Pools*. GASB 31 requires investments to be reported at fair value in the balance sheet. The net increase (decrease) in the fair value of investments, including both realized and unrealized gains and losses, is recognized as revenue in the Statement of Revenues, Expenses, and Net Assets. The change in the net fair value of investments was an increase of \$-0- and a decrease of \$2,812 for the years ended December 31, 2009 and 2008, respectively.

The following table represents the fair value of investments by type at December 31, 2009 and 2008 as well as the maturities of these investments. All investments are insured, registered or securities held by the Authority or its agent in the Authority's name. These investments all have maturity dates of one year or less.

	Fair Value	
	2009	2008
Restricted debt service reserve:		
U.S. government agency securities	<u>\$ 7,401,841</u>	<u>\$ 4,500,000</u>

LOUISIANA ENERGY AND POWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009 AND 2008

(B) CASH, SPECIAL DEPOSITS AND INVESTMENTS - *continued*

During the years ended December 31, 2009 and 2008, the Authority realized no gain or loss from the sale of investments. The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The change in the net fair value of investments was an increase of \$-0- and \$2,812 for the years ended December 31, 2009 and 2008, respectively. These amounts take into account all changes in fair value (including purchases and sales) that occurred during the year. The unrealized gain (loss) on investments held at December 31, 2009 and 2008 was \$ -0- and -0-, respectively.

Interest Rate Risk: As a means of limiting its exposure to fair-value losses arising from rising interest rates, the Authority's investment policy limits the investment portfolio to "money market instruments", which are defined as very creditworthy, highly liquid investments with maturities of one year or less. Although there may be certain circumstances in which longer-term securities are utilized, the general use of long-term securities shall be avoided.

Credit Risk/ Concentration of Credit Risk: Because all investments of the Authority are either obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government, or mutual funds, there is no credit risk or concentration of credit risk.

(C) FLOW OF FUNDS: RESTRICTIONS ON USE

Under the terms of the resolution providing for the issuance of electric revenue bonds of the Authority to finance the acquisition of an ownership interest in a fossil fuel steam electric generating plant and for other purposes relating thereto, the bonds are special obligations of the Authority payable solely from and secured by the revenues and other funds including bond proceeds. Such revenues consist of all income, fees, charges, receipts, profits, and other money derived by the Authority from its ownership and operation of the fossil fuel steam electric generating plant, other than certain money derived during the period of construction. Money in the revenue fund shall be first applied to the payment of operating expenses of the plant, exclusive of depreciation and amortization.

Money in the revenue fund shall then be deposited into the debt service fund to pay principal, and interest on all bonds as they become due and payable and then applied to maintain in the debt service fund reserve account an amount equal to the maximum Adjusted Aggregate Debt Service requirement on all bonds (initially funded from bond proceeds). After making the required payments into the operating account and debt service fund, there shall be paid out of the revenue fund into the reserve and contingency fund an amount equal to the budgeted amount for the renewal and replacement account, and ten percent (10%) of the Aggregate Debt Service into the contingency account. After funding the reserve and contingency fund, amounts from the revenue fund shall be deposited into the subordinated indebtedness fund in amounts required to pay principal or sinking fund installments and interest on each issue of subordinated indebtedness and reserves thereon. Amounts from the revenue fund will next be deposited into the general reserve fund in amounts equal to the budgeted amount for the development account, limited to two percent (2%) of the Aggregate Debt Service. Finally, any remaining funds from the revenue fund are to be transferred into the project account.

As of December 31, 2009, all accounts requiring minimum balances were in compliance with the bond resolution.

LOUISIANA ENERGY AND POWER AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

(D) PROPERTY AND EQUIPMENT

The following is a summary of changes in property and equipment:

	Beginning Balance 12/31/2008	Additions	Deletions	Ending Balance 12/31/2008
Electric Plant	\$ 84,676,475	\$ 465,597	\$ (288,295)	\$ 84,853,777
Central Dispatch Facility	2,853,833	-	-	2,853,833
Non-Utility Property	1,393,104	24,158	-	1,417,262
	88,923,412	489,755	(288,295)	89,124,872
Less: Accumulated Depreciation	(68,145,988)	(5,320,937)	288,295	(73,178,630)
Net Property and Equipment	\$ 20,777,424	\$ (4,831,182)	\$ -	\$ 15,946,242
Land	\$ 99,928	\$ -	\$ -	\$ 99,928
Construction Work in Progress	\$ 5,559,494	\$ 1,847,905	\$ (465,597)	\$ 6,941,802

Depreciation expense for the years ended December 31, 2009 and 2008 was \$5,320,937 and \$4,918,723, respectively.

The Authority's acquisition cost of its interest in the Unit includes costs of certain facilities common to the Unit and CLECO's Unit No. 1 (common facilities).

Participants in the Rodemacher Unit No. 2 are liable for decommissioning costs upon termination of the Project. The Authority has no liability accrued for decommissioning costs at December 31, 2009.

(E) ELECTRIC REVENUE BONDS

The following is a summary of the electric revenue bonds transactions for the year ended December 31, 2009:

	Balance 1/1/2009	Additions	Reductions	Balance 12/31/2009	Due Within One Year
Serial Bond-2000	\$40,615,000	\$ -	\$ 7,295,000	\$33,320,000	\$ 7,660,000

The Authority issues bonds where it pledges project power revenues, after payment of operating expenses, as well as assets of the Authority, as established by ordinance. Revenue bonds outstanding at December 31, 2009 and 2008 are as follows:

Purpose	Issue Date	2009	2008
Electric Revenue Refunding Serial Bonds Series 2000 5.0%-5.75%	11/17/00	\$33,320,000	\$40,615,000
Total Principal Outstanding on Revenue Bonds		33,320,000	40,615,000
Unamortized Bond Premium		712,996	950,661
Unamortized Loss on Refunding		(6,838,880)	(9,118,506)
Net Revenue Bonds Outstanding		\$27,194,116	\$32,447,155

LOUISIANA ENERGY AND POWER AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

(E) ELECTRIC REVENUE BONDS - continued

Revenue bond debt service requirements to maturity are as follows:

<u>Years Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 7,660,000	\$ 1,686,100	\$ 9,346,100
2011	8,080,000	1,243,150	9,323,150
2012	8,545,000	765,181	9,310,181
2013	<u>9,035,000</u>	<u>259,756</u>	<u>9,294,756</u>
	<u>\$33,320,000</u>	<u>\$ 3,954,187</u>	<u>\$37,274,187</u>

In 2002, the Authority issued \$87,325,000 of Power Project Refunding Revenue Bonds (Rodemacher Unit No. 2), 2000 Series (2000 Series Bonds). The Authority is restricted from any future refundings.

The 2000 Series Bonds are payable solely from the revenues of the Authority and the funds pledged in accordance with bond resolutions.

(F) PENSION PLAN

Eligible employees of the Authority participate in the Municipal Employees' Retirement System, which is a cost-sharing, multiple-employer defined benefit public employee retirement system. The plan is controlled and administered by a separate board of trustees. Pertinent information relative to the plan follows:

Plan Description - The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the Authority are members of Plan A.

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, or at any age with at least 25 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3% of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produces the highest average.

Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The system issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Employees' Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 925-4810.

Funding Policy - Under Plan A, members are required by state statute to contribute 9.25% of their annual covered salary and the Authority is required to contribute at an actuarially determined rate. The current rate was 13.50% of annual covered payroll. Contributions to the System also include ¼ of 1% (except Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Authority are established and may be amended by state statute.

LOUISIANA ENERGY AND POWER AUTHORITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009 AND 2008

(F) PENSION PLAN - continued

As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Authority's contributions to the System under Plan A for the years ended December 31, 2009, 2008 and 2007 were \$279,031, \$269,133, and \$283,022, respectively, equal to the required contributions for each year.

(G) COMMITMENTS AND CONTINGENCIES

Coal Purchase Commitment

On July 6, 2009, the Authority entered into a contract with a coal supplier. Under the contract, the Authority will purchase from the contracted party its share of coal used in producing power at the Rodemacher Unit No. 2 facility. The purchase contract is for the delivery of 2,700,000 tons of coal in total, for which the Authority has contracted to purchase 900,000 tons over the two-year term of the contract.

The term of the contract and annual quantities to be purchased are as follows:

Calendar Year	Annual Quantity	Committed Cost	Purchase Commitment
2010	450,000	\$12.00	\$ 5,400,000
2011	450,000	13.25	5,962,500
Total	<u>900,000</u>		<u>\$11,362,500</u>

Transmission Contracts

The Authority has entered into separate transmission agreements with Entergy and CLECO, pursuant to which electric power and energy received by the Authority from the Project are transmitted to the points of delivery of the Participants. The costs of delivery are shared by all Participants on a pro-rata basis. The costs of delivery of electric power and energy received by the Authority from sources other than the Project are included in the demand rate charged to the Full Requirements Members.

Operating Costs

Under the Joint Ownership Agreement, CLECO has the sole responsibility to operate, maintain and dispatch the Unit and related facilities in accordance with prudent utility practices. The Authority, CLECO, and LPPA pay all operation and maintenance costs other than fuel, based upon their respective ownership percentages of the Unit.

Rodemacher Power Sales Contracts

Under the Rodemacher Power Sales Contracts, the Authority sells and the Participants purchase their respective shares (entitlement shares) of the capacity and energy of the Project. These contracts require payments to be made on a take-or-pay basis, whether or not the Project is operable or operating.

Under existing law, the rates charged by the Participants to their customers are not subject to regulation by any federal or state authority. Each Participant is obligated to establish rates and charges sufficient to pay all of its obligations to the Authority. Payments to be made by the participants are payable monthly solely from the revenues of the Participants' utilities systems.

On March 24, 2008, the Authority was notified through the managing partner, CLECO POWER, LLC, of a receipt of a Consolidated Compliance Order & Notice of Potential Penalty from the Louisiana Department of Environmental Quality relating to the Rodemacher Power Station. CLECO has responded to the notice a settlement was reached with the state in January 2010. The amount assessed to the Authority totals \$4,411 and was paid by the Authority in March 2010. No accrual was made at December 31, 2009.

LOUISIANA ENERGY AND POWER AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

(G) COMMITMENTS AND CONTINGENCIES - continued

At December 31, 2009, the Participants' respective shares of the capacity and energy of the Project are as follows:

	<u>Entitlement Share (MW)</u>	<u>Percent Share (%)</u>
City of Alexandria	55.26	52.83
Terrebonne Parish Consolidated Government	22.70	21.70
City of Morgan City	20.72	19.81
City of New Roads	2.96	2.83
City of Jonesville	<u>2.96</u>	<u>2.83</u>
	<u>104.60</u>	<u>100.00</u>

Full Requirements Approach Operations Agreements

The Authority supplies power to the Full Requirements Members under the following contracts:

- As discussed in Note A, the Authority has agreements with two of the Participants, whereby the Authority purchases their entitlements in the Project. These agreements expire December 31, 2010 with a ten month opt out clause. Cancellation of these agreements does not relieve the Participants of their obligations under the Rodemacher Power Sales Contracts discussed above.
- The Authority has Capacity Purchase and Operating Agreements with three of the Full Requirements Members whereby the Authority operates the members' generation facilities and purchases all of the energy produced. These agreements expire December 31, 2010 with a ten month opt out clause.
- The Authority has a Capacity Purchase Agreement with one Full Requirements Member whereby the Authority controls 100% of its dependable capacity and directs power generation quantities to meet its power requirements. This agreement expires December 31, 2010 with a ten month opt out clause.
- The Authority entered into a Load Matching Servicing Agreement with one Participant whereby the Authority administers load-matching services.
- The Authority entered into an agreement with the Southwestern Power Administration (SWPA), whereby the Authority purchases hydroelectric power, which results from fixed power allocations of SWPA's available peaking capacity to certain member cities. The Authority resold hydroelectric power to one member city and retained the balance of the hydroelectric power for use under the All Requirements Approach. Purchases under this contract for the year ended December 31, 2009 were \$1,064,959. Sales to one member city for the years ended December 31, 2009 and 2008 were \$404,082 and \$390,071, respectively.

LOUISIANA ENERGY AND POWER AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

(H) RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Authority, through its agreement with CLECO and various other insurance policies, is insured to reduce the exposure to these risks.

(I) CONCENTRATIONS

During 2009, three members each accounted for more than ten percent and, in the aggregate, more than fifty percent, of the Authority's power sales. Following are the sales to each of these customers for the year ended December 31, 2009:

Terrebonne Parish Consolidated Government	\$ 17,440,630
City of Alexandria	\$ 22,996,046
City of Morgan City	\$ 10,790,644

(J) OTHER MATTERS

Members of the Board of Directors of the Authority received no compensation from the Authority for services rendered as directors during 2009 and 2008.

Title IV of the Clean Air Act Amendments of 1990 (the Act) establishes a regulatory program to address the effects of acid rain. The Act will result in more stringent restrictions on sulfur-dioxide emissions from solid-fuel generating stations. The Act essentially requires each ton of sulfur-dioxide emissions to be authorized by the possession of an "allowance."

The Authority's existing solid-fuel generating station burns low-sulfur coal and utilizes pollution control equipment to reduce sulfur emissions. The Unit is not affected by Phase I of Title IV of the Act, which became effective in 1995. The Authority believes that the limits on sulfur-dioxide emissions required by Phase II of Title IV of the Act, effective in the year 2000, does not significantly impact the Authority's operations or the operation of its Unit.

SUPPORTING SCHEDULES

LOUISIANA ENERGY AND POWER AUTHORITY
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Funds Held by Trustee					Funds Held by the Authority				
	Project					Other				
	Reserve and Contingency Fund	Debt Service Fund	Debt Service Account	Debt Service Reserve Account	Revenue Fund	Operations and Maintenance Trust	Project Account	Other Revenue Fund	Contract Operations Account	TOTAL
Fund Balances at December 31, 2008	\$ 3,484,057	\$ 1,142,000	\$ 8,425,750	\$ 4,605,000	\$ 740,284	\$ 1,316	\$ 296,846	\$ 880,411	\$ 163,192	\$ 19,738,856
Receipts from Other Funds	2,215,000	-	9,356,750	737	10,094,188	29,110,858	9,062,125	5,070,668	14,944,894	80,055,220
Disbursements to Other Funds	(57)	(15)	(1,807)	(91,145)	(46,572,073)	(19)	(7,079,019)	(26,311,085)	-	(80,055,220)
Receipts from Participants	-	-	-	-	35,696,098	-	-	45,930,367	1,999,441	83,625,906
Payments to CLECO - Construction Costs	(2,056,621)	-	-	-	-	-	-	-	-	(2,056,621)
Receipts of Investment Income	57	15	1,807	94,379	10	19	4	10	1,099	97,400
Payment of Bond Interest	-	-	(2,079,125)	-	-	-	-	-	-	(2,079,125)
Payment of Bond Principal	-	-	(7,295,000)	-	-	-	-	-	-	(7,295,000)
Increase(Decrease) in Fair Value	-	-	-	-	-	-	-	-	-	-
Other Receipts (Disbursements)	(23,866)	-	-	-	91,913	(26,745,077)	-	(24,679,205)	(16,966,685)	(68,322,920)
Fund Balances at December 31, 2009	\$ 3,618,570	\$ 1,142,000	\$ 8,608,375	\$ 4,608,971	\$ 50,420	\$ 2,367,097	\$ 2,279,956	\$ 891,166	\$ 141,941	\$ 23,708,496
Fund Balances at December 31, 2009										
are comprised of:										
Cash	-	-	-	-	-	-	-	-	141,941	\$ 141,941
Temporary Cash Investments	719,639	1,142,000	8,608,375	106,061	50,420	2,367,097	2,279,956	891,166	-	16,164,714
US Treasury & Agency Investments	2,898,931	-	-	4,502,910	-	-	-	-	-	7,401,841
	\$ 3,618,570	\$ 1,142,000	\$ 8,608,375	\$ 4,608,971	\$ 50,420	\$ 2,367,097	\$ 2,279,956	\$ 891,166	\$ 141,941	\$ 23,708,496

LOUISIANA ENERGY AND POWER AUTHORITY

COMBINING SCHEDULE OF NET ASSETS
DECEMBER 31, 2009

	ASSETS	Project Related	Other	Eliminations	Combined
CURRENT ASSETS					
Cash		\$ 4,697,473	\$ 1,033,107	\$ -	\$ 5,730,580
Accounts Receivable		(1,381,017)	7,476,532	(1,880,805)	4,214,710
Fuel Inventory		6,264,964	17,617	-	6,282,581
Accrued Interest Receivable		22,432	-	-	22,432
Prepaid Expenses		-	140,478	-	140,478
Total Current Assets		<u>9,603,852</u>	<u>8,667,734</u>	<u>(1,880,805)</u>	<u>16,390,781</u>
NON-CURRENT ASSETS					
RESTRICTED ASSETS					
Cash					
Renewal and Replacement		719,639	-	-	719,639
Contingency		1,142,000	-	-	1,142,000
Debt Service		8,608,375	-	-	8,608,375
Debt Service Reserve		106,061	-	-	106,061
Investments					
Renewal and Replacement		2,898,930	-	-	2,898,930
Debt Service Reserve		4,502,911	-	-	4,502,911
Total Restricted Assets		<u>17,977,916</u>	<u>-</u>	<u>-</u>	<u>17,977,916</u>
DEFERRED CHARGES					
Unamortized Debt Expense		<u>1,002,947</u>	<u>-</u>	<u>-</u>	<u>1,002,947</u>
Total Deferred Charges		<u>1,002,947</u>	<u>-</u>	<u>-</u>	<u>1,002,947</u>
PROPERTY, PLANT AND EQUIPMENT					
Utility Plant		88,905,266	-	-	88,905,266
Central Dispatch Facility		-	5,844,074	-	5,844,074
Non-utility Property		-	1,417,262	-	1,417,262
Total		<u>88,905,266</u>	<u>7,261,336</u>	<u>-</u>	<u>96,166,602</u>
Less: Accumulated Depreciation		<u>(69,583,627)</u>	<u>(3,595,003)</u>	<u>-</u>	<u>(73,178,630)</u>
Net Property, Plant and Equipment		<u>19,321,639</u>	<u>3,666,333</u>	<u>-</u>	<u>22,987,972</u>
Total Non-Current Assets		<u>38,302,502</u>	<u>3,666,333</u>	<u>-</u>	<u>41,968,835</u>
TOTAL ASSETS		<u>\$ 47,906,354</u>	<u>\$ 12,334,067</u>	<u>\$ (1,880,805)</u>	<u>\$ 58,359,616</u>

LOUISIANA ENERGY AND POWER AUTHORITY

COMBINING SCHEDULE OF NET ASSETS
DECEMBER 31, 2009

LIABILITIES AND NET ASSETS	Project Related	Other	Eliminations	Combined
CURRENT LIABILITIES				
Accounts Payable	\$ 3,046,655	\$ 2,974,573	\$ (1,880,805)	\$ 4,140,423
Due to Other Governments	6,849,661	-	-	6,849,661
Total Current Liabilities	9,896,316	2,974,573	(1,880,805)	10,990,084
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS				
Accrued Interest Payable	948,375	-	-	948,375
Current Portion of Revenue Bonds Payable	7,660,000	-	-	7,660,000
Total Current Liabilities Payable From Restricted Assets	8,608,375	-	-	8,608,375
NON-CURRENT LIABILITIES				
Revenue Bonds Payable	25,660,000	-	-	25,660,000
Less: Unamortized Premium	712,996	-	-	712,996
Less: Unamortized Loss on Required Debt	(6,838,880)	-	-	(6,838,880)
Accrued Compensated Absences	-	717,676	-	717,676
Total Non-Current Liabilities	19,534,116	717,676	-	20,251,792
TOTAL LIABILITIES	\$ 38,038,807	\$ 3,692,249	\$ (1,880,805)	\$ 39,850,251
FUND NET ASSETS				
Invested in Capital Assets, Net of Related Debt	\$ (7,817,905)	\$ 3,666,333	\$ -	\$ (4,151,572)
Restricted for Debt Service	13,217,346	-	-	13,217,346
Unrestricted	4,468,106	4,975,485	-	9,443,591
TOTAL FUND NET ASSETS	\$ 9,867,547	\$ 8,641,818	\$ -	\$ 18,509,365

LOUISIANA ENERGY AND POWER AUTHORITY

**COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2009**

	<u>Project Related</u>	<u>Other</u>	<u>Eliminations</u>	<u>Combined</u>
OPERATING REVENUES				
Power Sales	<u>\$ 41,391,629</u>	<u>\$ 44,464,806</u>	<u>\$ (8,619,042)</u>	<u>\$ 77,237,393</u>
OPERATING EXPENSES				
Cost of Power Produced	28,046,586	5,011,255	-	33,057,841
Power Purchased	-	35,951,961	(8,619,042)	27,332,919
Transmission Costs	1,910,160	1,622,939	-	3,533,099
General and Administrative	-	2,369,959	-	2,369,959
Depreciation	<u>5,283,723</u>	<u>37,214</u>	<u>-</u>	<u>5,320,937</u>
Total Operating Expenses	<u>35,240,469</u>	<u>44,993,328</u>	<u>(8,619,042)</u>	<u>71,614,755</u>
Operating Income	<u>6,151,160</u>	<u>(528,522)</u>	<u>-</u>	<u>5,622,638</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest Income	40,027	1,276	-	41,303
Interest Expense	(1,659,085)	-	-	(1,659,085)
Amortization of Debt Expense	(334,316)	-	-	(334,316)
Amortization of Loss on Reacquired Debt	(2,279,627)	-	-	(2,279,627)
Gain on Disposition of Allowance	4,025	-	-	4,025
Net Decrease in Fair Value of Investments	-	-	-	-
Other	<u>(1,582,086)</u>	<u>1,635,683</u>	<u>-</u>	<u>53,597</u>
Total Non-Operating Revenues (Expenses)	<u>(5,811,062)</u>	<u>1,636,959</u>	<u>-</u>	<u>(4,174,103)</u>
CHANGE IN FUND NET ASSETS	<u>340,098</u>	<u>1,108,437</u>	<u>-</u>	<u>1,448,535</u>
FUND NET ASSETS, BEGINNING OF YEAR	<u>9,527,449</u>	<u>7,533,381</u>	<u>-</u>	<u>17,060,830</u>
FUND NET ASSETS, END OF YEAR	<u>\$ 9,867,547</u>	<u>\$ 8,641,818</u>	<u>\$ -</u>	<u>\$ 18,509,365</u>

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Louisiana Energy and Power Authority
Lafayette, Louisiana

We have audited the financial statements of the Louisiana Energy and Power Authority as of and for the year ended December 31, 2009, and have issued our report thereon dated March 31, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the provisions of Louisiana Revised Statutes 24:513 and the Louisiana Governmental Audit Guide.



Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Louisiana Energy and Power Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Louisiana Energy and Power Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Louisiana Energy and Power Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Louisiana Energy and Power Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of the management and Board of Directors of the Louisiana Energy and Power Authority and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

*Wright, Moore, DeHart,
Dupuis & Hutchinson*

WRIGHT, MOORE, DEHART,
DUPUIS & HUTCHINSON, L.L.C.
Certified Public Accountants

March 31, 2010

LOUISIANA ENERGY AND POWER AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2009

We have audited the financial statements of the Louisiana Energy and Power Authority as of and for the year ended December 31, 2009, and have issue our report thereon dated March 31, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by Comptroller General of the United States. Our audit of the financial statements of December 31, 2009 resulted in an unqualified opinion.

Section I – Summary of Auditors’ Reports

A. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses	<u> </u> Yes	<u> x </u> No
Control Deficiency	<u> </u> Yes	<u> x </u> No

Compliance

Compliance Material to Financial Statements	<u> </u> Yes	<u> x </u> No
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Section II – Financial Statement Findings

There were no current year findings.

Section III – Federal Award Findings and Questioned Costs.

This section is not applicable for the year ended December 31, 2009.

LOUISIANA ENERGY AND POWER AUTHORITY

**SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2009**

There were no prior year findings.

LOUISIANA ENERGY AND POWER AUTHORITY
MANAGEMENT'S CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2009

No current year findings were noted, therefore, no response is deemed necessary.